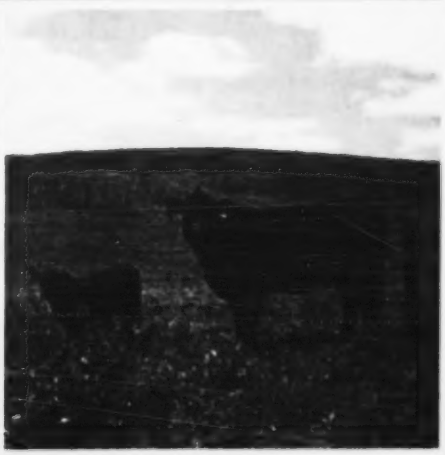
PAMI

Prairie Agricultural Machinery Institute

Annual Report 2008-2009

Driving Agricultural Technology



PAMI: Year at a Glance

Ag Development

- 12 projects
- $700,000 project value
- Areas of work:
  - Grains harvester development
  - Agri/bioenergy
  - Safety
- $10 M economic impact*
- 75 Jobs*

Learning and Growth

- 68 staff, 20% growth
- Biggest ever training investment, to prepare for opportunities
- Three new technology centres under development
- Expanded staff occupancy across 6 locations

Other Projects

- 175 projects
- $5.2 M project value
- Areas of work:
  - Military equipment testing
  - Vehicles and transport equipment
  - Package engineering & testing
  - Safety testing
- $13 M Economic Impact*
- 100 Jobs*
- $300,000 reinvestment in Ag*

Ag Partnerships

- 230 Activities
- Events: Beef Symposium 09, BioFibe 08, Growing Green, WBDC Field Day 08
- First Nations Wind Resource projects
- Helped champion bio-diesel as MIL-jet fuel
- Hosted numerous international visitors
- Demoed bio-diesel truck, many Manitoba locations
- Committee work, CSA and CSBE
- Safety presentations and meetings
- Participated in Beef Science Cluster Development
- Awards: AAPEX, Gold Harvest
- Producer association meetings

Strategy

- 3 key business objectives, on-track
- 4 supporting objectives, in process

Ag Research

- 44 projects
- $2.2 M project value
- Areas of work:
  - Agri/bioenergy (15)
  - Cattle and forage (20)
  - Grain drying technology
  - Miscellaneous (5)
  - Safety (4)
- $51 M economic impact*
- 430 Jobs*

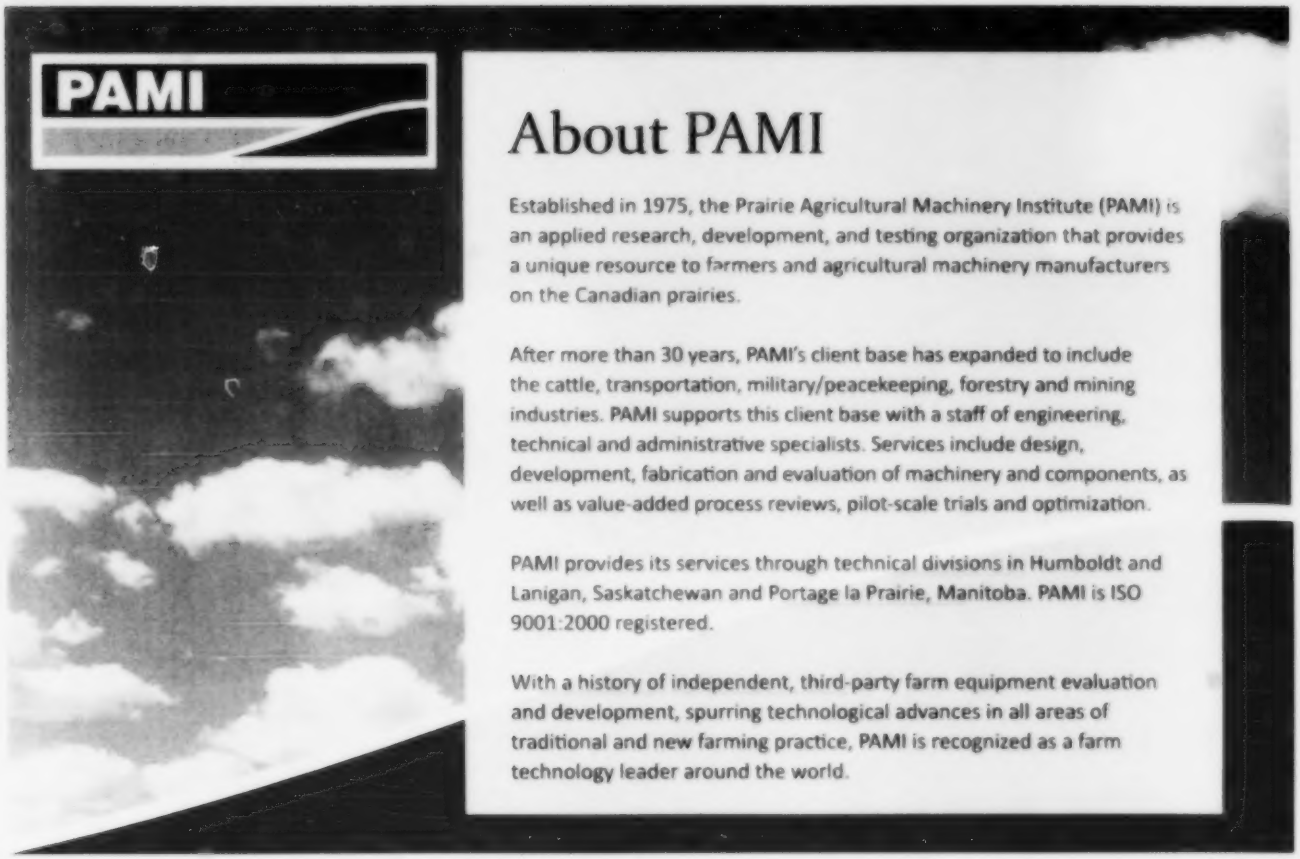
Information Services

- Producer meetings
- Producer info sheets
- Research papers
- Tradeshows
- News Releases
- Website upgrades
- Media Interviews
- WBDC Field Day

WESTEST

- Vehicle Performance Centre in development
- 100 development projects for clients across 4 sectors

*** Economic impact figures are estimates made by PAMI.**



About PAMI

Established in 1975, the Prairie Agricultural Machinery Institute (PAMI) is an applied research, development, and testing organization that provides a unique resource to farmers and agricultural machinery manufacturers on the Canadian prairies.

After more than 30 years, PAMI's client base has expanded to include the cattle, transportation, military/peacekeeping, forestry and mining industries. PAMI supports this client base with a staff of engineering, technical and administrative specialists. Services include design, development, fabrication and evaluation of machinery and components, as well as value-added process reviews, pilot-scale trials and optimization.

PAMI provides its services through technical divisions in Humboldt and Lanigan, Saskatchewan and Portage la Prairie, Manitoba. PAMI is ISO 9001:2000 registered.

With a history of independent, third-party farm equipment evaluation and development, spurring technological advances in all areas of traditional and new farming practice, PAMI is recognized as a farm technology leader around the world.

Prairie Agricultural Machinery Institute

Annual Report 2008-2009

Driving Agricultural Technology

Contents

2 Letters of Submission
3 Mission and Leadership
4 Chairman's Message
5 President's Message
6 Strategic Direction
7 Highlights
7 Bioenergy and Products
- 7 Applied Bioenergy Centre
- 7 Biomass Crops
- 8 Pelleting
- 8 Solid State Digester
- 9 Mobile Densification Project
- 9 Meteorological Tower
- 10 Bio-diesel Refuelling Demonstrations

10 Agricultural Production Technologies
- 11 Harvesting Equipment Performance
- 11 Natural Air Grain Drying

12 Western Beef Development Centre
- 12 Research Highlights
- 12 Strategic Advisory Committee
- 13 Operations Highlights
- 13 Future Directions

14 Farm Safety
- 14 Rollover Protective Structures
- 14 Safe Implement Hitching Guide
- 14 Safe Picking Platforms for Greenhouses
- 15 Portable Grain Auger Development

15 Beyond Borders
- 15 Street Sweeper Testing
- 16 SCC Accreditation
- 16 National Defence

17 WESTEST
- 17 Project Highlights
- 17 Board of Directors
- 17 About WESTEST
- 18 WESTEST Client Projects

18 Information Sharing
19 PAMI Staff
20 Financial Statements
21 Audit Reports
23 Statements
26 Notes to the Financial Statements

Letters of Submission

PAMI

Humboldt, Saskatchewan
March 31, 2009

The Honourable Bob Bjornerud
Minister of Agriculture,
Government of Saskatchewan

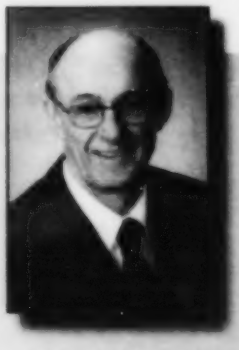
The Honourable Rosann Wowchuk
Minister of Agriculture, Food and Rural Initiatives,
Government of Manitoba

It is my honour to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2009.

Respectfully submitted,

Lorne Christopherson
Board of Directors Chair
Prairie Agricultural Machinery Institute

Honourable Bob Bjornerud
Minister of Agriculture,
Government of Saskatchewan



Honourable Rosann Wowchuk
Minister of Agriculture, Food
and Rural Initiatives,
Government of Manitoba

Saskatchewan
Ministry of
Agriculture

March 31, 2009

The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor,
Province of Saskatchewan
Chancellor of the Saskatchewan Order of Merit

Your Honour:

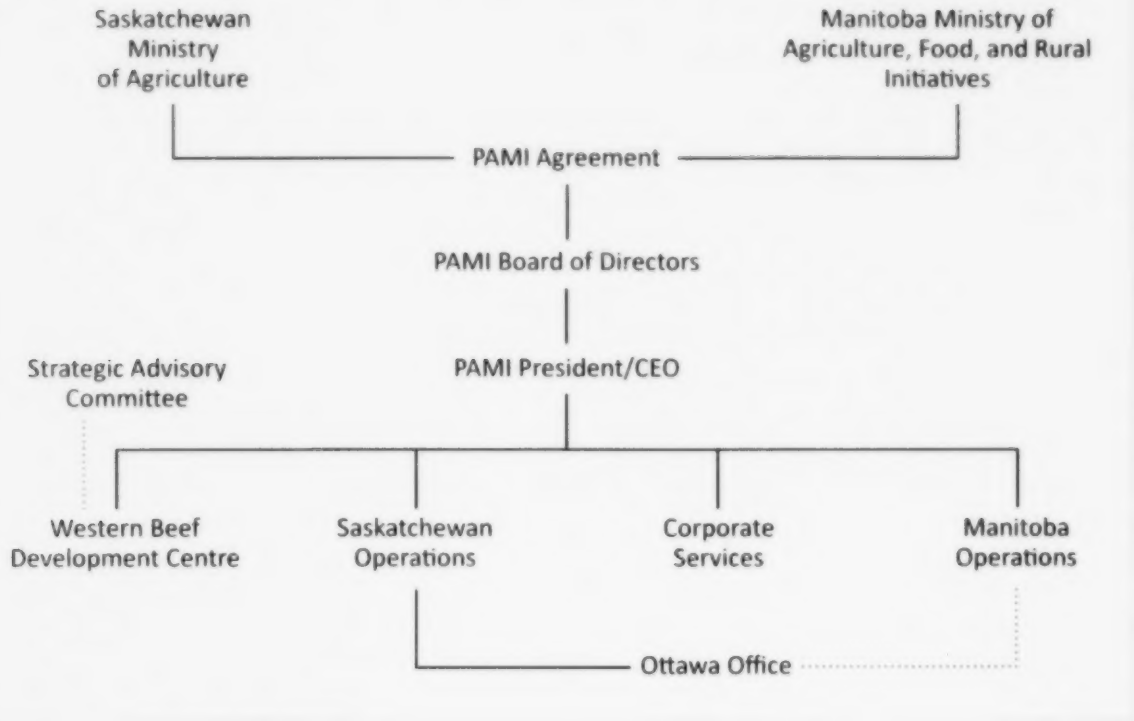
I have the honour to submit the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2009. It includes the financial statements audited by the Provincial Auditor.

Respectfully submitted,

Bob Bjornerud
Minister of Agriculture
Government of Saskatchewan

Prairie Agricultural Machinery Institute

Mission: Drive economic development by applying technologies in the agriculture sector in Manitoba and Saskatchewan.



Board of Directors

- **Lorne Christopherson,** Chair and Saskatchewan Producer
- **Bill Zettler,** Vice-Chair and Manitoba Producer
- **Dr. Abdul Jalil,** Representative of the Saskatchewan Ministry of Agriculture
- **Dr. Allan Preston,** Representative of Manitoba Agriculture, Food and Rural Initiatives
- **Gary Anderson,** Representative of Agricultural Manufacturers of Canada

Corporate Management Team

- **David Gullacher,** President/Chief Executive Officer
- **Joanne Forer,** Vice President, Finance and Administration
- **Harvey Chorney,** Vice President, Manitoba Operations
- **Dr. Paul Jefferson,** Vice President, Western Beef Development Centre
- **James Wassermann,** Vice President, Saskatchewan Operations

Chairman's Message

This is my third year as Chair of the PAMI Board of Directors, and it is a true honour to serve as part of this hard-working team.

Due to worldwide economic upheaval, 2008 was a difficult year for all industries. Agriculture has had its share of challenges, such as price volatility for agricultural commodities, closed borders, and other challenges to our livestock industries; despite this, PAMI not only made it through, but persevered. By keeping its course and developing the opportunities embodied in our strategic plan, PAMI has grasped new emerging opportunities and overcome new challenges.

PAMI takes a strategic and systematic approach to improving the way the agriculture industry does business. Our organization is accountable and forward-thinking; it takes pride in its role in agricultural prosperity and rural development. With a diverse project list, PAMI continually meets organizational objectives and exceeds client expectations.

With all of the research we conduct, products we test, and designs and ideas we manage, it is apparent that accountability plays an important role in the decisions that we make. Informing our stakeholders and letting them enlighten our work is one of the greatest collaborations we take part in. PAMI leverages our governments' investment in technology and research by providing valuable information to all of our stakeholders.

Growth and expansion were key themes for PAMI this past year. New cutting-edge facilities (such as the Applied Bioenergy Centre) are providing the resources to apply technology to agriculture and beyond the farm gate into municipalities, and past provincial and national borders.

But, all of the new facilities and equipment would mean nothing if it weren't for our people. There are numerous people involved in PAMI's success, and our team is still growing. I would like to take this opportunity to commend our president and his corporate management team, staff, collaborators, contractors, and other stakeholders for their hard work and dedication to PAMI. We also thank the Western Beef Development Centre (WBDC) Strategic Advisory Committee for their contributions.

The Saskatchewan Ministry of Agriculture and the Manitoba Ministry of Agriculture, Food and Rural Initiatives form the foundation of PAMI's strategic partnerships. The ministries are not only working partners, but strategy leaders.

As Chair of the PAMI Board of Directors, I take great pride in thanking our directors for their commitment to PAMI over the past couple of years. Inducted as members of the PAMI board in 2006, this group of strategists have worked together to move PAMI effectively along the right path. In particular, I would like to thank Gary Anderson, who resigned from his post this year. His service to the organization since 2006 has been outstanding.

PAMI is a dynamic organization, and I have great trust that we will continue to not only meet, but exceed strategic objectives in driving agricultural technology.

"The ministries are not only working partners, but strategy leaders."

Lorne Christopherson
Chair, PAMI Board of Directors

President's Message

In this tumultuous global economic climate, good-news stories are nice to find. And we've got them. Despite the numerous challenges that arise from our current global situation, we are finding that there is not only hope, but prosperity and opportunity, in the prairies.

PAMI's successes are bountiful. In crop production we have continued to push the envelope looking for new efficiencies through use of machinery and input technologies as well as management strategies. We also continue the search to put our agricultural bio-resources to new uses, notably bioenergy and other bio-products.

Our new Applied Bioenergy Centre, for example, is up to the task. With a goal of supporting and advancing the technology needed for prudent and practical bioenergy utilization, the Centre is tackling energy consumption issues by exploring new and more efficient ways of creating and using bio-fuels.

In the beef industry, driving down the cost of production while maximizing food quality and safety will make our producers formidable contenders in the global supply-demand arena. Our upgraded herd and research equipment, and our well thought-out slate of science and demonstration projects will help to ensure their success.

PAMI is thriving, but we realize that there are challenges ahead and we are realistic about the work that needs to be done. In the coming decades, we will experience a greater demand on agricultural yields to feed a growing world population, and Canadian producers are seeking more efficient ways of running their farm and ranch enterprises to meet rising needs. PAMI is working with industry, our governments, and academia to explore solutions to agriculture's biggest problems.

"Our team realizes that we have a lot of work to do."

With a great sense of immediacy and dedication, our team realizes that we have a lot of work to do. In order to continue to attract economic development, we are working to attain accreditation from the Standards Council of Canada. With financial assistance from the provincial and federal governments and a lot of hard work, we are sure to achieve accreditation later in 2009.

We are expanding in many ways. The acquisition of new projects means new facilities, more resources and higher, more demanding quality standards. PAMI now has nearly 70 staff members. With a number of new clients, the need to expand to address the mounting workload has been overwhelming. Our people understand the imminent challenges in the industries we serve, and they are consistently reaching to develop solutions and apply research and technology to agriculture and beyond. This level of work cannot be done alone. Key partnerships and relationships with government and industry stakeholders assist PAMI in meeting our goals. PAMI also has a host of funders and clients that support agricultural research and agricultural development. They include producer groups, some of whom are members of the PAMI Board of Directors and the Strategic Advisory Committee. These stakeholders give PAMI practical advice regarding the needs of the agriculture industry so that we can direct our resources and expertise to where it is needed most.

Research collaborators (e.g., Agriculture and Agri-Food Canada and the Universities of Saskatchewan and Manitoba) are also closely aligned with PAMI because of their roles as drivers of technology, innovation, and applied science.

This year, we've built a lot of momentum, and I'm optimistic that the future will remain bright for our organization as we work toward our goals and continue to bring the world good-news as we *drive agricultural technology*.

David Gullacher
CEO/President, PAMI

Strategic Direction

Vision

PAMI is a financially sound organization that has proactively supported Saskatchewan and Manitoba agricultural producers and industry as they make the shift from traditional commodity production to bio-product development. PAMI has assisted this transformation by providing product development solutions and services to large and medium sized agri-businesses and other industry players.

Objectives

- Establish stronger and formal partnerships with other players in the innovation chain.
- Increase awareness of the impact of PAMI activities among stakeholders.
- Establish Manitoba's agricultural research and development division.
- Establish the Western Beef Development Centre as the preferred provider of applied livestock research.
- Develop the human resource base to meet PAMI's objectives.
- Establish a bioenergy and processing program within PAMI.
- Renew and position PAMI in a changing environment.

Quality Assurance Plan

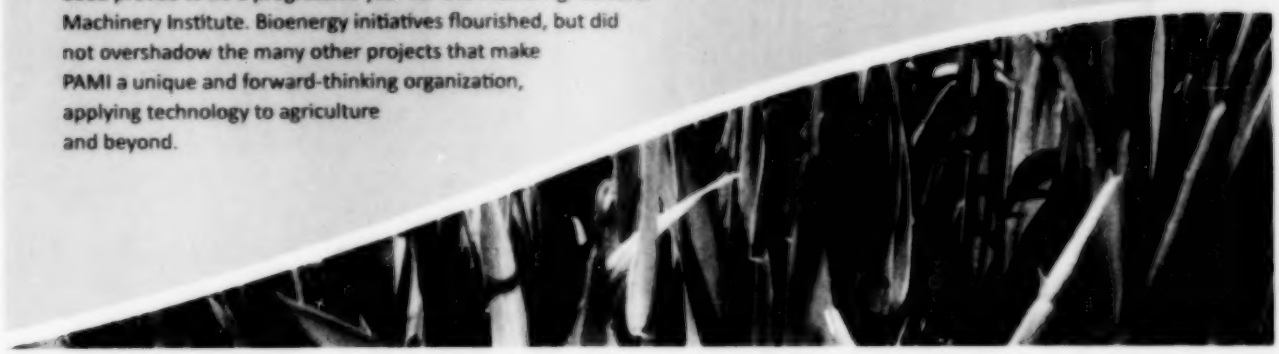
PAMI is ISO 9001:2000 accredited. Management has set out a Quality Assurance Plan for the 2009 year that seeks to meet both ISO 9001:2000 and ISO 17025: 2005 criteria. The plan contains both internal and external audits of the PAMI quality system and reports these findings to the Quality Management Team. The management team is committed to a program of continuous improvement and strives to ensure that the program is successful through training, staff and financial support.

PAMI Quality Policy

Provide high quality client services by
Applying technology for agriculture and industry in
Meeting our clients' changing needs through
Innovative research, development and testing services.

PAMI Highlights 2008-09

2008 proved to be a progressive year for the Prairie Agricultural Machinery Institute. Bioenergy initiatives flourished, but did not overshadow the many other projects that make PAMI a unique and forward-thinking organization, applying technology to agriculture and beyond.



Bioenergy and Products

Applied Bioenergy Centre (ABC)

In February 2007, PAMI received $3.3 Million from Saskatchewan's Ministry of Agriculture to develop an agricultural energy centre within its Humboldt operations. After extensive research, the new Applied Bioenergy Centre was born. The Centre's vision is that Saskatchewan and Western Canada have the potential to build a bio-based economy, founded upon the utilization of agricultural products and bi-products for energy. With a goal of supporting and advancing the technology needed for prudent and practical bioenergy utiliziation, the Centre has numerous initiatives underway.

Biomass Crops

Biomass is the plant material that can be used for fuel (digested, gasified, densified, or combusted) or for other industrial processes (cellulose, ethanol, oils, and other chemicals and products). PAMI's ABC is investigating the viability of different biomass crops for production in the Prairie regions of Western Canada. Work has been completed in other parts of the world on biomass crops (such as switchgrass, for example), but until now, little work has been completed for this area of the country. It is likely that this project's biomass will be processed and pelleted in the processing line for further examination and evaluation.

"Putting the building blocks in place for transformational agriculture takes vision and courage. With the government's investments, we have been challenged to create new opportunities for prosperity in energy production and conservation."

- David Gullacher, PAMI President

Pelleting

Pelleting is the process of compressing organic material into pellets. The intention of the project is to produce pellets that are viable for combustion, soil remediation and other industrial processes. PAMI's ABC is setting up a pilot plant for processing biomass materials. Expanding to support the growing biomass industry, the ABC currently has plenty of existing equipment and processes in place to run trials on different biomass feedstocks to produce pellets for combustion. In future, this will be also be used for other industrial processes, such as cellulose or other materials.

Solid State Digester

Through the Applied Bioenergy Centre, PAMI is using an anaerobic digester to evaluate the economic feasibility of livestock operators and municipal landfills producing their own sustainable energy sources from animal waste or household garbage. There is a great potential in this technology, but producers and agri-industry need to have questions answered before they decide to make investments. This research is allowing PAMI to help with those decisions.

Bio-digesters convert waste material, such as manure, straw, by-products from cattle feedlots or hog barns, household garbage, etc. to a biogas suitable for energy production. These gases can be converted to energy, and spent feedstock can also be utilized as a nutrient-rich compost applied as fertilizer to farmland.

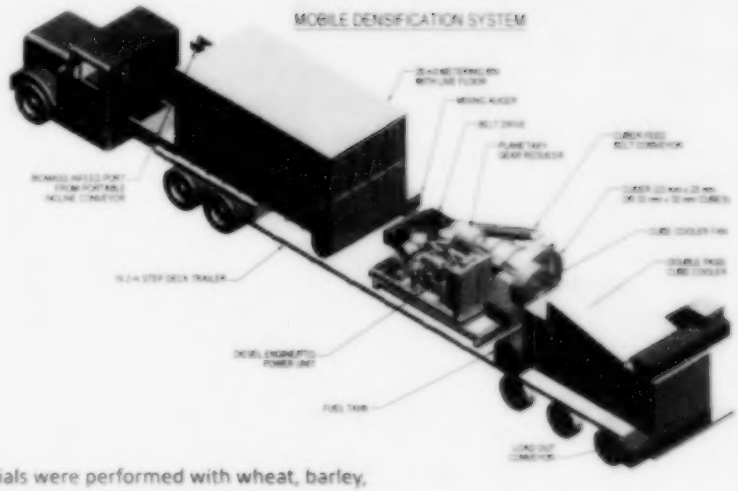
The purpose of the research is to determine the financial viability of producers using solids-content anaerobic digesters to produce their own sources of clean energy for home-heating or powering electrical grids.

"Supporting local research and development strengthens our region in both the short and long term. This green investment is just one example of our Government's actions to support innovation, bring new ideas to the marketplace, and create jobs."

-Brad Trost, MP for Saskatoon-Humboldt, speaking about government funding for the Solid State Digester

Mobile Densification Project

Manitoba's Department of Agriculture, Food and Rural Initiatives provided PAMI with $450,000 for a prototype machine for field-side crop densification which will convert very bulky crop residue into a compact, dense format more suitable for transportation to its final destination for use as a fuel source.

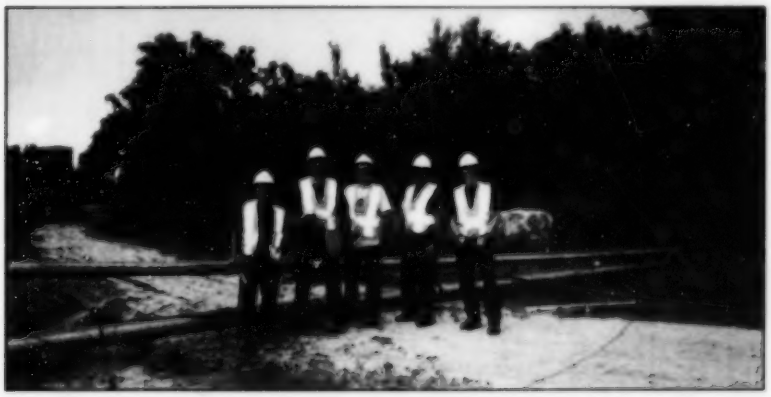


The project studied existing research and information on existing densification systems in order to develop a mobile system able to produce a densified biomass without external heat or the addition of binding agents. Stationary densification trials were performed with wheat, barley, and oats straw at Prairie Bio-Energy's stationary cubing facility in La Broquerie, Manitoba in order to verify the concept of cold densification of cereal crop straw.

Data collected allowed for essential process and control parameters to be identified for a mobile application. The preliminary design of a field-side densification system was the final phase of this project. A conceptual design drawing (right) shows what an in-field densification system might look like.

Meteorological Tower

Meteorological (met) towers are the most common means for measuring the wind energy resource at locations across the region. PAMI has a lead role in the placement and operation of these important research instruments in Manitoba.



Bio-diesel Refuelling Demonstrations

PAMI's dual-fuel demonstration vehicle, modified by the Saskatchewan Research Council, has the ability to operate using both ethanol and bio-diesel fuel simultaneously. A separate fuel management system injects hydrated ethanol into the engine in order to reduce emissions. In addition to the vehicle performance benefits, the use of hydrated ethanol (95% ethanol with 5% water content) reduces the energy inputs and costs of the ethanol manufacturing process by eliminating the expensive and energy intensive water removal steps needed when blending ethanol with gasoline.

For demonstrations performed at five different agricultural events during the summer of 2008, a canola-based bio-diesel blend was used in order to reduce the amount of non-renewable fuels consumed. Canola-based bio-diesel is produced on the prairies and is considered one of the best bio-diesels for northern climates based on its performance in cold temperatures.

Agricultural Production Technologies

Aiming to find the critical balance between efficiencies and environmental stewardship, PAMI is dedicated to providing unbiased research on food production and processing, livestock production, cropping systems and agricultural mechanization.

PAMI provides farmers with innovative strategies for planning and achieving profitable farming operations, while striving to support value-added initiatives with the development of sustainable crop production practices. Providing innovative equipment design and testing, and offering full service support to both the farming community and to the agri-business sector, one of PAMI's objectives is to work towards the most efficient and cost-effective solutions for the client.

Harvesting Equipment Performance

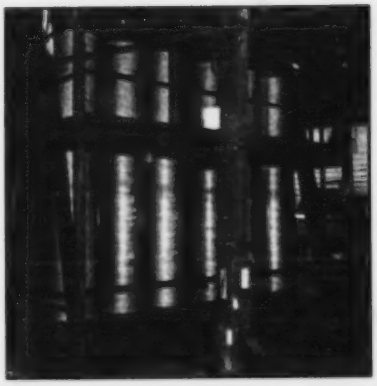
PAMI's Harvesting Technologies team has more than 150 years combined experience in evaluating, testing, and developing harvesting equipment for the prairie provinces. PAMI has provided manufacturers and farmers with harvesting expertise for prairie crops such as cereals, oil seeds, pulses, corn, soybeans, edible beans, canary seed, hay, and forage. Harvesting projects for this past year focused on improving harvesting equipment productivity, efficiency and durability for agricultural equipment manufacturers and prairie farmers.

This year, PAMI has been involved in combine and windrower field testing as well as the development of wider, high capacity combine headers to suit prairie crops and conditions.

Today's combines are able to achieve tremendous productivity. This increased productivity has driven combine headers wider to match combine capacity. Wider headers have posed additional design, manufacturing, function, and durability challenges that the harvesting team had to identify and address.

Durability of harvesting equipment has always been critical for a successful harvest on the prairies. In 2008, PAMI has been involved in the development and monitoring of lab test stands for agricultural equipment manufacturers, in order to improve durability of particular components on harvesting equipment for agricultural equipment manufacturers.

Natural Air Grain Drying



Natural Air Grain Drying systems were developed in the prairies and elsewhere from the 1970s until the late 1980s. They allow extension of the harvest season by letting harvest begin earlier at higher grain moisture content and to continue when grain is damp after rain showers.

These systems provide savings in energy usage, and earlier harvest in wet years improves grain quality. However, the systems are currently not used to their full potential. A means of measuring in-bin moisture content to verify drying progress is needed to ensure that over-drying or inadequate drying does not occur.

PAMI has developed a concept to do this indirectly and to incorporate it into a real-time control system. To test out the concept, a complex and accurately instrumented NAD drying system has been set up with six drying bins scaled to real size bins.Tests have begun to monitor drying parameters while using different control methods. If successful, a real time natural air drying control system will be developed.

Western Beef Development Centre

The Western Beef Development Centre (WBDC) combines animal and plant science with machinery engineering to research the many aspects of production in the cow/calf sector. Operating the Termuende Ranch at Lanigan and a portion of the Pathlow Pasture near Melfort, the WBDC's handling facilities provide capacity for up to 400 cows and calves.

Western Beef Development Centre
Division of PAMI

The WBDC is funded and supported by Saskatchewan's Ministry of Agriculture and a number of industry stakeholders.

Strategic Advisory Committee

Producers

- Lorne Christopherson, Chair
- Rick Toney
- Tim Oleksyn
- Mike Bartelen
- Dennis Edwards
- Murray McGillvary
- Dave Kerr

Research Community

- Dr. John McKinnon, U of S
- Dr. Steve Hendrick, U of S-WCVM

Government Departments and Agencies

- Greg Haase, Saskatchewan Ministry of Agriculture
- Jim Armstrong, Saskatchewan Ministry of Agriculture
- Rick Gaube, Agriculture and Agri-Food Canada Land Management
- Dr. John Popp, Manitoba Agriculture, Food and Rural Initiatives

Research Highlights

DDGS Research

The WBDC evaluated Dried Distillers' Grains and Solubles (DDGS) as a winter supplement for beef cows grazing barley straw-chaff piles in the field. Data suggests that DDGS is a lower-cost alternative to rolled barley and provides a higher nutrient value (energy and protein).

In a related study, DDGS proved to be an effective supplement for producers looking to extend the fall grazing season on low quality forages. Cows that received DDGS gained more weight than those supplemented with a commercial range pellet.

New Oat Variety for Cattle Feeders

The Crop Development Centre at the University of Saskatchewan developed a new oat variety (CDC SO-I) with a low lignin hull and a high-fat seed. The WBDC evaluated the new variety with backgrounding cattle. Cattle fed with the CDC SO-I oat tended to match or exceed the performance of the barley-fed control group. In addition, the feed oat does not require processing, representing a potential cost saving to producers.

Backgrounding Calves on Annual Forages

This study revealed that backgrounding calves performed as well as calves in the drylot. Moreover, swath-grazing reduces other costs related to the animals' care, such as manure removal and machinery operation.

Following the backgrounding phase, the calves were placed on a finishing ration and evaluated at the University of Saskatchewan feedlot. Given effective consumption of the backgrounding forages, savings can be passed down to the finishing phase in the form of reduced feed intake, better feed-to-gain ratios and fewer days on feed.

Spring-Seeded Winter Annual Crops for Grazing

Five annual crops were evaluated in three different regions to determine

suitability for one-year forage grazing for backgrounding calves and feeder cattle. The crops included winter wheat, winter triticale, winter rye, Westerwolds ryegrass, and Italian ryegrass.

All five species proved to be effective for summer and fall grazing. Westerwolds ryegrass produced the highest total pasture yield in the Parkland where precipitation is more reliable, while winter wheat outperformed the other crops in the drier prairie region. Overall, winter wheat was the most profitable crop for grazing, followed closely by Westerwolds ryegrass.

Operations Highlights

Herd Completion
With the purchase of 71 bred heifers, the WBDC completed the formation of its 300-head Black Angus herd. The acquisition was enabled by a grant from the Saskatchewan Ministry of Agriculture and Agriculture and Agri-Food Canada. In 2010, the remaining Horned Cattle Purchases Fund-owned herd will be dispersed on their instruction to complete the herd transition.

Winter Beef Day
In 2008, the WBDC expanded its information services by hosting its inaugural Winter Beef Day. In December, 45 producers attended to learn about the Centre's research in swath grazing, straw/chaff pile grazing with Dry Distillers Grains and Solubles (DDGS) supplementation, bale grazing, and the Nutrient Export project. With the success of the 2008 Winter Beef Day, another event has been scheduled for December 11, 2009. Winter Beef Day is a complement to the Field Day held each June at the Termuende Ranch.

New Equipment
The WBDC enhanced safety with the installation of a hydraulic cattle squeeze. When conducting chute operations, the hydraulic squeeze is safer for employees to operate than the traditional head gate. In addition, the smooth predictable movement places less stress on the animals.

Future Directions

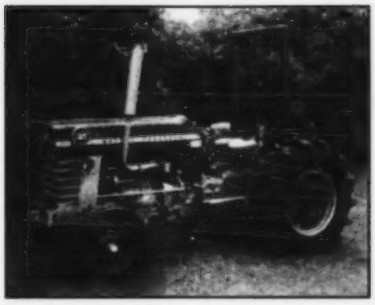
The Agriculture Development Fund has approved a Cost-of-Production study. Researchers will develop a web-based software system that allows producers to compare their costs of production anonymously against industry benchmarks established from producer data. The implication is that producers will be able to identify specific opportunities to lower input costs and improve the efficiency of their operations.

Other initiatives include:

- Small plot agronomy research at the Termuende Research Ranch.
- Backgrounding research on dry distillers' grain.
- Sainfoin evaluation.
- Crop residue grazing research.

Farm Safety

PAMI continues working with the Canadian Agricultural Safety Association (CASA) with special efforts on improving the safety of old farm equipment. Various other projects revolve around the safe use of equipment, machinery and other farm implements, whether it is in the writing of safety standards or the development of new processes for agricultural work.



Rollover Protective Structures

PAMI conducted a pilot project in British Columbia that resulted in 50 rollover protective structures (ROPS) being installed on older agricultural tractors across the province. Besides the improved safety of those 50 tractors, the project aimed to define the challenges of ordering and installing ROPS. The project results have provided valuable information that will help to initiate larger, multi-province and national tractor ROPS programs.

Safe Implement Hitching Guide

The CSA Agricultural Machinery Committee noted concerns from farmers across Canada about not knowing proper procedures and equipment for hitching implements to tractors.

The CSA Committee asked PAMI to develop a guide to address the safety issues associated with implement hitching. PAMI has experience in this area as, in the past, they had developed an implement lighting and marking pamphlet. PAMI obtained funding from AEM (Association of Equipment Manufacturers) and CASA (Canadian Agricultural Safety Association) to conduct the project. An advisory committee including farmers, manufacturers, and other experts was assembled. A guide has been drafted and is moving forward to completion. The goal is to have the guide available on the PAMI website by 2010.

Safe Picking Platforms for Greenhouses

This year, PAMI worked with the Farm and Ranch Safety and Health Association (FARSHA). There is a high-injury risk associated with the picking carts used in greenhouses and mushroom-growing operations.

Together, PAMI and FARSHA conducted research on practices and equipment that contribute to that risk, with an aim to providing a safer work environment in these types of facilities.

Based on the research done on greenhouse industry equipment, PAMI and FARSHA designed best practice solutions and developed prototype fall-prevention equipment. The greenhouse industry will benefit from providing their pickers with safer picking platforms that have sturdy guardrails to reduce falls and the injuries associated with them.

Portable Grain Auger Standard

PAMI is involved in developing a national standard for portable grain augers. Injuries from augers are the third most common cause of on-farm injuries. The principle of this standard, which is for the Canadian Agricultural Safety Association (CASA), aims to reduce these injuries.

Currently, portable auger intake guards are usually fixed to the augers. The auger guards were often removed by farmers for access purposes, and then not re-attached, which made the augers unsafe. The new standard, which is nearing completion, will be utilized by manufacturers, safety groups, universities, and provincial regulatory agencies. The standard may allow a moveable guard on a portable auger. The guard could slide up the auger tube to provide access to the auger inlet. If the guard stays attached to the auger it is more likely to be replaced.

Beyond Borders

PAMI has gained international recognition for its independent testing and research activities, such as agricultural safety work and machine testing. With SCC accreditation, PAMI will be able to expand their horizons.

Street Sweeper Testing

PAMI is currently the only test agency that is approved to test street sweepers with a procedure called RULE 1186 that was developed in California. This service is valued by the industry and municipalities alike. PAMI used their expertise to work with the City of Toronto in 2008

Through a number of air quality studies and tests, a standard process, along with efficiency criteria, were developed and used to evaluate various street sweeper technologies. Specifically, the technologies were evaluated on three things: their efficiency in removing fine particulate matter from roads; the concentration levels of fine particulate matter entrained into the air while sweeping; and their ability to operate year-round effectively under various sweeping conditions typically encountered in Toronto.

"The assessment team was impressed by the broad scope of the unique testing activities, the competence and abilities of its technical staff and the excellent support services provided by PAMI's Standards Library and its Equipment/Calibration Group."

-Standards Council of Canada

Standards Council of Canada Accreditation

Western Economic Diversification and the Saskatchewan Ministry of Enterprise and Innovation have joined to invest in support of PAMI's attempt at Standards Council of Canada (SCC) accreditation. Funded under the previous Canada-Saskatchewan Western Economic Partnership Agreement (WEPA), the provincial and federal governments equally contributed to the investment of $65,000. This accreditation will enable western Canadian firms to access more markets outside of the Prairies.

In 2008, PAMI started preparation for the accreditation. With months of hard work getting systems, processes and equipment developed and ready, the preparation phase has been challenging but rewarding. SCC accreditation will position PAMI to provide excellent services to manufacturers in Saskatchewan and the West. Advanced ISO accreditation of PAMI's testing facilities will open up new national and international markets to Saskatchewan and western Canadian manufacturers.

In particular, PAMI's objective is to obtain SCC Laboratory Accreditation, which will allow it to test and certify ambulances and other western Canadian manufacturers' products in compliance with the Bureau de Normalisation du Québec (BNQ) standards. Pursuing SCC accreditation builds on the organization's quality system foundation through ISO 9001:2000 and is the next step in the organization's historical commitment to provide highly credible, independent testing services.

National Defence

PAMI has a Memorandum of Understanding with the Department of National Defence (DND) and its research arm, Defence Research and Development Canada. Through the memorandum, PAMI and DND exchange engineering information and capabilities to support DND programs and troops deployed overseas.

WESTEST

With funding secured from Western Economic Diversification Canada, 2008-09 saw Western Canada Testing Incorporated (WESTEST) begin its expansion. The Vehicle Performance Facility places the Manitoba-based location in a position to offer testing services unique to Western Canada. The expansion involves building construction, equipment acquisition, commissioning, training, and facility marketing.

Project Highlights

Vehicle Performance Facility
Plans for the dedicated building provide year-round access for vehicles up to 45 feet. The Vehicle Performance Facility will house testing equipment for:

- Alternative fuel evaluations
- Vehicle power train performance and durability testing at the conceptual and production validation stage
- Verification of aftermarket vehicle performance improvement kits
- Vehicle emission analysis

Chassis Dynamometer
WESTEST acquired a chassis dynamometer that can conduct a full-power test at 100 km/h, with the vehicle operating up to 500 HP. The test equipment monitors specific engine performance characteristics while simulating actual road loads.

Engine Test Stand
In the past year, WESTEST purchased an engine test stand to develop, characterize, and test bare engines independent from the complete vehicle.

Hydraulic Power Unit and Load Simulation Actuators
To meet client demand, WESTEST acquired a 180 gpm hydraulic power unit and load simulation actuators. The new equipment enables force, vibration, and packaging tests to be conducted simultaneously with Multi Axis Simulation Tests.

Vehicle Emission Monitoring Equipment
WESTEST has immediate plans to purchase equipment to measure tailpipe emissions from gas and diesel vehicles. The testing services provided will support clients as they strive to reduce pollution.

Board of Directors

- Jerry Engel, Chair
- Roger Ludwick, Vice-Chair
- Pamela Schwann
- Rick Gierula
- Don Watt
- Ken Swaving
- Brad Nelson
- Carol Vibert
- James Umlah

WESTEST gratefully acknowledges the service of other board members who resigned this year: Gary Anderson and in particular Robert Malcolm, who was one of the founding Board members of WESTEST and has served continuously for 18 years.

About WESTEST

Western Canada Testing Incorporated (WESTEST) is an engineering and testing corporation which was created by five organizations. Although PAMI has no ownership in WESTEST, it helped in its creation and provides all operating functions of the corporation under a management agreement with the owners. Since its inception in 1991, WESTEST has acquired a considerable inventory of specialized test equipment. WESTEST facilities continue to provide significant benefit to manufacturers in the transportation, agriculture, and other related industries. WESTEST is guided by a board of directors of its owners, and is ISO 9001:2000 registered.

WESTEST Client Projects

In 2008-09, WESTEST conducted more than 100 projects for clients in the agricultural, transportation, passenger vehicles and buildings sectors. All work for clients is confidential and cannot be described in detail. But in summary, WESTEST's ability to physically test designs under simulated conditions that amplify normal operation allowed clients to quickly and effectively develop durable products with little to no uncertainty regarding their performance in service. This provides them with a big competitive advantage through rapid rollout of new products.

Information Sharing

One of PAMI's main objectives is information sharing. Using a number of communication tools, PAMI connects with producers, clients, and researchers. PAMI staff members provide valuable information through media and publicly issued news releases and articles, research summaries, and detailed reports. They also present at trade shows, field days, seminars, conferences, and industry meetings throughout the year, sharing information with other delegates and concerned audiences, through the use of relevant displays and publications.

The PAMI, WBDC, and WESTEST websites remain an important source of information, making valuable factsheets and reports available to producers and the public.

This year PAMI conducted more than 230 activities as a partner in the agricultural community and in information sharing. It helped in the development of industry conferences ranging from BioFibe 08 in Manitoba to Beef Symposium 09 in Saskatchewan. It attended many events in rural centres across the two provinces, speaking about its work from bio-diesel to beef research. These efforts were literally award-winning in some cases, including AAPEX, and Gold Harvest Awards for work by Dr. Jefferson and Dr. Lardner. PAMI's staff spent long hours on the road and put in extra effort to get the word out.

PAMI Staff

Corporate Management Team
David Gullacher, President/Chief Executive Officer
Joanne Forer, Vice President, Finance and Administration
Harvey Chorney, Vice President, Manitoba Operations
Paul Jefferson, Vice President, WBDC
James Wassermann, Vice President, Saskatchewan Operations

Administrative and Financial Services
Carol Bergermann, Controller
Myrna Britz, Quality Systems Coordinator
Jolene Dayholos, Administrative Supervisor and Quality Systems Coordinator
Marina Haeusler, Resource Scheduler
Maurina Kimmen, Administrative Assistant
Jackie Krienke, Administrative Assistant
Dianne Lepage, Administrative Assistant
Marilyn Malinski, Accounting Supervisor
Laurie Szautner, Administrative Supervisor

Communications Services
Sharon Doepker, Research Librarian
Brenda Freistadt, Communications Assistant

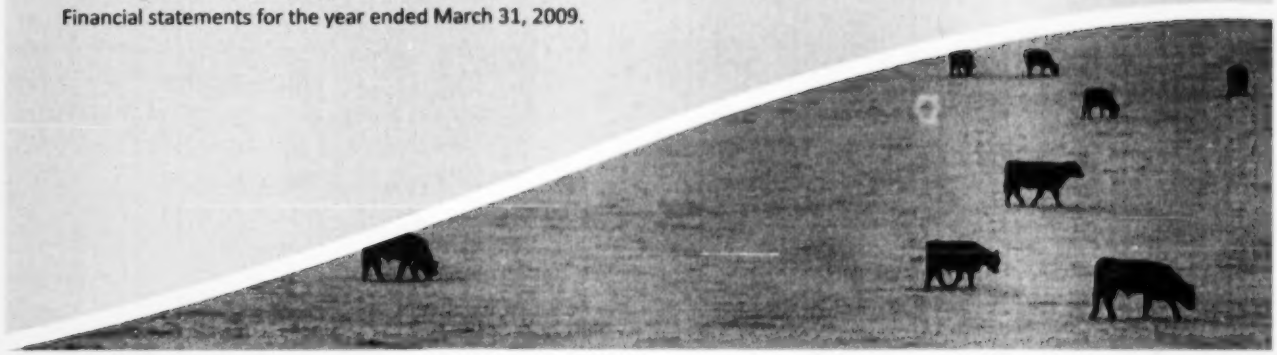
Western Beef Development Centre
Leah Froehlich, Ranch Research Technician
Ashley Guerter, Ranch Hand
Dr. Herbert Lardner, Senior Research Scientist
Jonathan Pearce, Assistant Ranch Supervisor
(Vacant), Beef Economist
George Widdifield, Ranch Supervisor

Technical Services
Tyrell Bjarnason, Project Leader
Gregory Burton, Computer and Electronics Supervisor
Ken Carmichael, Computer Systems Administrator and Instrumentation Supervisor
Terry Carr, Assistant Manager, Package Testing
Robert Cropper, Project Leader
Les Funk, Project Technologist
Nathan Gregg, Project Leader
Lorne Grieger, Manager, Agriculture Research and Development
Sheldon Grywacheski, Project Leader
Jason Harmon, Computer Systems Administrator
Brent Hergott, Project Technologist
Les Hill, Manager, Business Development, Agriculture and Bioenergy
Bruce Hodgins, Project Technician
Larry Jorgenson, Project Leader
Dave Kelly, Project Leader
Ryan Kolenosky, Electronics Technologist
Murray Kosokowsky, Project Leader
Dr. Hubert Landry, Project Leader
Philip Leduc, Manager, Research and Development
Troy Lucyshyn, Manager, Industry and Resources
Patricia Lung, Project Leader
Bryan Lung, Project Leader
Mark Marianchuk, Project Leader
Greg Marquis, Caretaker
Gary Niekamp, Project Leader
Nalaini Ramachandran, Project Leader
Peter Rhodes, Project Leader
Derek Rude, Project Leader
Wayne Stock, Project Technologist
Steve Swiddle, Manager, Mechanical Testing
Alan Whittaker, Project Leader

Shop Services
Ted Bay, Shop Supervisor
Rob Cameron, Fabricator
Cam Cleaver, Shop Technician
Tyler Dies, Fabricator
Gordon Doepker, Shop Technician
Cliff Frank, Shop Technician
Aaron Gaudreau, Shop Technician
Charles Hill, Shop Technician
Garth Muyres, Shop Technician
Lorne Niekamp, Shop Technician
Greg Pascal, Shop Technician
Darryl Periett, Fabricator
Andrew Rauert, Fabricator
Art Smith, Supervisor
Blair Thiemann, Fabricator
John Wiebe, Shop Technician

Financial Statements

Prairie Agricultural Machinery Institute
Financial statements for the year ended March 31, 2009.



Management Report

To the Members of the Legislative Assembly of Saskatchewan:

Year Ended March 31, 2009

The accompanying financial statements are the responsibility of the management of the Prairie Agricultural Machinery Institute. They have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and the accounting systems provide accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management's responsibilities are properly discharged, to review and approve the financial statements. The Provincial Auditor of Saskatchewan has audited PAMI's financial statements in accordance with Canadian generally accepted auditing standards and his report follows.

David Gullacher
President and CEO

Joanne Forer
V.P. Finance and Administration

Audit Reports

Financial Statement Audit Report

To the Members of the Legislative Assembly of Saskatchewan:

I have audited the balance sheet of Prairie Agricultural Machinery Institute as at March 31, 2009 and the statements of revenues, expenses and net assets, and cash flows for the year then ended. The Institute's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 19, 2009

Fred Wendel, CMA, CA
Provincial Auditor

Legislative Compliance Audit Report

To the Members of the Legislative Assembly of Saskatchewan:
I have made an examination to determine whether the Prairie Agricultural Machinery Institute (Institute) complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended March 31, 2009:

The Prairie Agricultural Machinery Institute Act, 1999
The Prairie Agricultural Machinery Institute Regulations, 1999
Orders in Council issued pursuant to the above legislation
Ministers Order's pursuant to the above legislation

My examination was made in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the Institute has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 2009.

Regina, Saskatchewan
June 19, 2009

Fred Wendel, CMA, CA
Provincial Auditor

Internal Control Audit Report

To the Members of the Legislative Assembly of Saskatchewan:

I have audited the Prairie Agricultural Machinery Institute's (Institute) control as of March 31, 2009 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

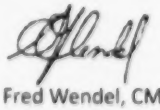
I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgments about the effectiveness of the Institute's control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

The Institute's management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit. I conducted my audit in accordance with standards for assurance engagements established by the CICA. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of the Institute's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, the Institute's control was effective, in all material respects, to meet the objectives stated above as of March 31, 2009 based on the CICA criteria of control framework.



Regina, Saskatchewan
June 19, 2009

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

Balance Sheet as at March 31

	2009	2008
Assets		
Current:		
Cash	$ 2,330	$ 493
Due from General Revenue Fund (Note 5)	312,049	67,637
Accounts receivable	2,151,543	2,346,934
Prepaid expenses	200,597	117,998
Grant receivable	-	30,000
Inventory	105,324	61,385
	2,771,843	2,624,447
Restricted cash – General Revenue Fund	3,351,457	3,732,823
Property, plant and equipment (Note 6)	3,305,873	3,252,275
Breeding herd (Note 7)	387,600	364,430
Intangible assets (Note 8)	29,597	59,195
	$ 9,846,370	$ 10,033,170
Liabilities and Net Assets		
Current:		
Bank indebtedness (Note 9)	$ 201,776	$ 153,764
Accounts payable and accrued liabilities	899,644	1,044,150
Unearned revenue	328,134	225,198
	1,429,554	1,423,112
Deferred capital grants	2,309,175	2,570,377
Due to Government of Alberta (Note 10)	4,743	23,938
Deferred grant revenue – ABC (Note 11)	3,208,193	3,364,032
	5,522,111	5,958,347
Total liabilities	6,951,665	7,381,459
Net assets (Statement 2)	2,894,705	2,651,711
	$ 9,846,370	$ 10,033,170

Commitments (Note 12)

See accompanying notes to the financial statements.

Statement 2

Statement of Revenues, Expenses, and Net Assets for the Year Ended March 31

	Budget (Note 17)	2009	2008
Revenues			
Provincial transfers:			
Government of Saskatchewan			
Ministry of Agriculture			
- operating	$ 900,000	$ 925,000	$ 600,000
- capital	143,000	267,702	300,801
- ABC (Note 11)	297,818	220,915	68,430
Agri-food Innovation Fund	-	-	330,000
Horned Cattle Fund (Note 15)	-	114,407	86,620
Government of Manitoba			
Department of Agriculture, Food and Rural Initiatives			
- special biomass development	-	450,000	-
- operating	259,682	259,682	259,682
	1,600,500	2,237,706	1,645,533
Fee for service	6,723,358	6,884,468	6,821,168
Interest income	20,000	7,864	7,780
Other income	224,980	181,588	90,313
Total revenues	8,568,838	9,311,626	8,564,794
Expenses			
Salaries and benefits	4,329,190	4,465,206	3,959,293
Other operating	3,711,222	4,218,340	3,602,303
Amortization	276,400	385,086	374,441
Total expenses (Schedule 1)	8,316,812	9,068,632	7,936,037
Excess of revenues over expenses	252,026	242,994	628,757
Net assets, beginning of year	2 ,651,711	2,651,711	2,022,954
Net assets, end of year (Statement 1)	$ 2,903,737	$ 2,894,705	$ 2,651,711

See accompanying notes to the financial statements.

Statement 3

Statement of Cash Flows for the Year Ended March 31

	2009	2008
Cash flows from (used in) operating activities:		
Receipts from customers and others	$ 7,291,547	$ 6,376,132
Transfers from Government of Saskatchewan	1,134,483	4,569,082
Transfers from Government of Manitoba	709,682	259,682
Payments to suppliers and employees	(8,883,465)	(7,483,255)
Interest paid	(24,024)	(8,921)
Interest received	7,864	7,780
	236,087	3,720,500
Cash flows from (used in) investing activities:		
Purchase of property, plant and equipment	(315,374)	(407,974)
Purchase of breeding herd	(118,957)	(473,229)
Proceeds from sale of property, plant and equipment	8,615	14,750
	(425,716)	(866,453)
Cash flows from (used in) financing activities:		
Receipt of capital grants from Government of Saskatchewan	6,500	1,131,597
Decrease (increase) in restricted cash	381,366	(3,727,823)
	387,866	(2,596,226)
Net increase in cash position	198,237	257,821
Cash position, beginning of year	(85,634)	(343,455)
Cash position, end of year	$ 112,603	$ (85,634)
Comprised of:		
Cash	$ 2,330	$ 493
Due from General Revenue Fund	312,049	67,637
Bank indebtedness	(201,776)	(153,764)
	$ 112,603	$ (85,634)

See accompanying notes to the financial statements.

Notes to the Financial Statements

1. Status of Institute

The Prairie Agricultural Machinery Institute (Institute, PAMI) is a body corporate operating under *The Prairie Agricultural Machinery Institute Act, 1999*. Its primary purpose is to perform tests and conduct research on machinery, equipment and technologies used in the agriculture and food industries. The Institute's testing facilities are located in Humboldt and Lanigan, Saskatchewan and Portage la Prairie, Manitoba.

On wind-up, any net assets will be divided between the Governments of Saskatchewan and Manitoba in proportion to their respective share in the Institute's assets equivalent to the percentage of funding provided to date by each province.

The Institute's objective when managing its capital structure, which consists of net assets, is to ensure adequate funding exists to support its operations and growth strategies. Capital is managed through grant funding and an available line of credit. The Institute does not have any long-term debt.

The Institute relies on funding from the Governments of Saskatchewan and Manitoba and on one customer for continued fee for service revenue. This customer accounts for 46% (2008 - 50 %) of its fee for service revenue and 48% (2008 – 48%) of accounts receivable.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board (PSAB), the Institute is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles for business enterprises. The significant accounting policies are as follows:

a) Revenue recognition

The Institute recognizes provincial transfers when received or receivable. The Institute's operations are funded by the Government of Saskatchewan (Saskatchewan) and the Government of Manitoba (Manitoba) according to an agreement between the two provinces. Under Order in Council 1800/79, the Institute is not required to return the unused portion of the provincial transfers.

The Institute recognizes fee-for-service revenue when the related services are provided. It recognizes fee for service on contracts and subscriptions using the percentage of completion method. It records monies received prior to providing services and subscriptions received for future periods as unearned revenue.

The Institute defers capital grants received from related parties for property, plant and equipment until the related assets are put in use and amortized. It recognizes capital grants as revenue equal to the amount of amortization charged for those assets. Unspent capital grants are recorded as restricted cash.

The Institute defers grants received from the Ministry of Agriculture for the purchase of a beef research herd and the establishment of the PAMI Applied Bioenergy Centre (ABC) and related interest earned. Interest earned on these amounts is recorded in deferred capital grants and deferred grant revenue - ABC respectively. It recognizes grants as revenue as funds are used for the intended purpose. Unspent grants are recorded as restricted cash.

b) Inventory

Inventory of livestock and feed is recorded at the lower of cost and net realizable value. Livestock inventory cost is determined using the weighted average method and feed inventory cost is determined using the first-in, first-out method.

c) Property, Plant and Equipment, Leasehold Improvements

Property, plant and equipment, and leasehold improvements costing over $1,000 are recorded at cost less accumulated amortization. Self-constructed assets are recorded at cost, including labour and materials. Amortization is recorded using methods and rates intended to amortize the cost of assets over their useful life.

	Method	Rate
Buildings	declining balance	5%
Equipment, furniture, and vehicles	declining balance	10%
Computer equipment	declining balance	30%
Leasehold Improvements	straight line	10%

d) Intangible Assets

Intangible assets are recorded at cost less accumulated amortization. These assets are being amortized over their estimated useful life of five years.

e) Breeding Herd

The breeding herd is recorded at cost. This asset is being amortized at 20% declining balance.

f) Financial Instruments

Financial instruments are classified into one of the following categories: held for trading, held to maturity, available for sale, loans and receivables, and other financial liabilities. PAMI has no financial instruments classified as held to maturity or available for sale. There are no financial instruments which give rise to other comprehensive income.

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments – Recognition and Measurement, even if that instrument would not otherwise satisfy the definition of held for trading. The Institute has classified the following financial assets and liabilities as held for trading: cash, due from General Revenue Fund, restricted cash and bank indebtedness.

Held for trading financial instruments are subsequently measured at their fair value.

Loans and receivables:

The Institute has classified the following financial assets as loans and receivables: accounts receivable and grant receivable. These assets are initially recognized at their fair value approximated by the instrument's initial cost.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Net gains and losses arising from changes in fair value include interest income and are recognized in net income upon derecognition or impairment.

Other financial liabilities:

The Institute has classified the following financial liabilities as other financial liabilities: accounts payable and accrued liabilities and due to Government of Alberta. These liabilities are initially recognized at their fair value

approximated by the instrument's initial cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial asset impairment

The Institute assesses impairment of all its financial assets, except those classified as held for trading. Management considers many factors in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year earnings.

g) Use of Estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Changes in Accounting Policies

Inventory

Effective April 1, 2008 the Institute adopted the CICA's new recommendation for inventory under section 3031 Inventories. The new section provides guidance on the measurement and disclosure of inventories. The new recommendation establishes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. There was no material impact on the financial statements from the retrospective application of the new accounting recommendations.

Capital disclosures

Effective April 1, 2008, the Institute adopted the CICA's new recommendation for disclosures about capital. Section 1535 Capital Disclosures establishes standards for disclosing what an entity regards as capital and an entity's objectives, policies and processes for managing its capital. The section also prescribes disclosure regarding whether an entity has complied with any externally imposed capital requirements, and if not, the consequences of such non-compliance. The adoption of this new standard did not have a significant impact on the Institute's financial statements.

4. Future Accounting Changes

PSAB is in the process of assessing the appropriate source of generally accepted accounting principles to be used by government organizations, including the Institute. The effect on the Institute's future financial statements is not known.

5. Due from General Revenue Fund

Due from General Revenue Fund is money held in a bank account included in the Government of Saskatchewan's Consolidated Offset Bank Concentration arrangement. The Institute receives interest on a quarterly basis from the General Revenue Fund calculated using the Government of Saskatchewan's thirty-day borrowing rate and the Institute's average daily bank account balance. For 2009, the average interest rate was 1.95% (2008 – 4.08%).

6. Property, Plant, and Equipment

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	$ 4,237,611	$ 2,498,684	$ 1,738,927	$ 1,762,356
Equipment	2,383,465	1,417,861	965,604	894,148
Land and improvements	279,841	-	279,841	279,841
Furniture	155,980	125,077	30,903	29,180
Vehicles	459,659	280,865	178,794	177,662
Computer equipment	441,783	367,004	74,779	83,561
Leasehold improvements	44,291	7,266	37,025	25,527
	$ 8,002,630	$ 4,696,757	$ 3,305,873	$ 3,252,275

7. Breeding Herd

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Breeding Herd	$ 570,743	$ 183,143	$ 387,600	$ 364,430

The breeding herd consists of cows that will be used for beef research in the operations of the Western Beef Development Centre.

8. Intangible assets

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Intangible assets	$ 147,987	$ 118,390	$ 29,597	$ 59,195

As part of the transfer of the operations of Western Beef Development Centre to PAMI, the Institute obtained the Centre's trade name, logo and mailing lists for its use in future operations.

9. Bank Indebtedness

The Institute is authorized to borrow up to $1.0 million under its legislation. The Institute has established a line of credit of $800,000 with a bank and assigned its accounts receivable as collateral. It incurs interest at the bank's prime rate.

10. Due to Government of Alberta

When the Government of Alberta terminated its participation in 1988, the Institute, by agreement, owed Alberta 35% of the Institute's net assets as of March 31, 1988. In lieu of transferring net assets to the Government of Alberta, the Institute has agreed to perform services for Alberta. Due to the nature of this payable, its fair value cannot be readily determined.

11. Deferred Grant Revenue – Applied Bioenergy Centre (ABC)

In March 2007, PAMI and the Ministry of Agriculture (Ministry) signed a Memorandum of Understanding (MOU) under which PAMI received $3.3 million to create a research program in bioenergy and processing. PAMI received the funds in April 2007. Pursuant to the MOU, PAMI and the Ministry negotiated an agreement which established guidelines on how the $3.3 million would be spent. During 2008-09, PAMI received approval from the Ministry to spend $220,915.

Balance, beginning of year	$ 3,364,032
Earned interest	65,076
Grant recognized	(220,915)
Balance, end of year	$ 3,208,193

12. Commitments

The Institute has committed to provide future services to several research and development projects. At March 31, 2009, the value of these services totals $253,257 (2008 - $173,878).

Lease terms on equipment and land range from 3 to 10 years. In 2009, these lease costs totalled $58,123 (2008 - $50,109). The Institute is required to make the following minimum lease payments on these leases:

2010	$ 25,564
2011	19,638
2012	9,686
2013	5,413
2014	223

13. Financial Instruments

a) Fair Value of Financial Instruments

The fair value of the following financial assets and liabilities approximates their carrying value due to their short-term nature:

Cash, restricted cash - General Revenue Fund and due from General Revenue Fund;
Accounts receivable and grant receivable;
Bank indebtedness; and
Accounts payable and accrued liabilities

The Institute has not disclosed the fair value of Due to Government of Alberta as the instrument is not traded in an active market.

b) Credit Risk

The Institute is exposed to credit risk from the potential non-payment of accounts receivable. The credit risk on these accounts receivable is minimal because most contracts are with provincial and/or federal governments or well-established large private companies.

c) Risk Management Policy

Although PAMI does not have a risk management policy, the Institute has approved a number of policies relating to risk management including Quality Assurance.

d) Liquidity Risk

Liquidity risk is the risk that the Institute will encounter difficulty in meeting obligations associated with financial liabilities. The Institute enters into transactions to purchase goods and services on credit. Liquidity risk is measured by reviewing the Institute's future net cash flows for the possibility of a negative net cash flow. The Institute manages the liquidity risk resulting from its accounts payable by establishing a $800,000 line of credit.

14. Related Party Transactions

These financial statements include transactions with related parties. The Institute is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. The Institute is also related to all Manitoba Crown agencies because of the Government of Manitoba's participation in the operations of the Institute. In addition, the Institute is related to non-Crown enterprises that the Government of Saskatchewan or the Government of Manitoba jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

	2009	2008
Financial statements category		
Fee for service revenue	$ 1,630,047	$ 1,426,196
Operating expenses	823,371	715,936
Accounts receivable	477,267	616,969
Accounts payable and accrued liabilities	67,356	92,880
Unearned revenue	301,954	128,805
Grant Receivable	-	30,000

PAMI has leased land from the University of Saskatchewan for a nominal amount until 2012. In addition, the Institute pays Saskatchewan and Manitoba provincial sales tax on its taxable purchases made in those provinces. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

15. Contractual Arrangements

Under contract with Western Canada Testing Inc. (WESTEST), the Institute manages and operates WESTEST under the direction of WESTEST's Board of Directors for a certain percentage of the service fees from WESTEST clients. During the year, the Institute earned fee for service revenue of $361,452 (2008 - $502,494) from WESTEST. At year-end, accounts receivable includes $29,523 (2008 - $141,513) due from WESTEST.

The Institute has an agreement with the Horned Cattle Fund (a related party) for the use of the Fund's original herd of 300 head of cattle. The Institute is responsible for the care, feeding, housing and management of the herd. In September 2007, an agreement was entered into whereby PAMI shall return to the province or arrange for the sale of 100 cows per year at the option of the Province. The proceeds from the sale of the cows belongs to Horned Cattle Fund. PAMI receives proceeds from the sale of the Horned Cattle Fund calves. The Fund's remaining herd is 99 (2008 – 244) head of cattle.

16. Pensions

The Institute's employees participate in either the Saskatchewan Public Service Superannuation Plan, a multi-employer defined benefit pension plan, or the Saskatchewan Public Employees Pension Plan, a multi-employer defined contribution pension plan. The Institute's responsibility is limited to paying the required employer contributions for its employees. Salaries and benefits include contributions of $206,780 (2008 - $172,469).

17. Budget

The budget for 2008/2009 was approved by the Board on March 27, 2008.

18. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

19. Contingency

At year-end an action was outstanding against the Institute, of which the ultimate outcome is not yet determinable and accordingly, no liability has been recorded in the financial statements.

Schedule 1: Schedule of Expenses for the Year Ended March 31

	Budget (Note 17)	2009	2008
Salaries and benefits	$ 4,329,190	$ 4,465,206	$ 3,959,293
Supplies and services	3,576,322	4,069,805	3,488,986
Amortization	276,400	385,086	374,441
Bad debt expense	57,000	53,641	22,092
Lease – land and equipment	59,750	53,255	46,379
Interest expense	10,150	24,024	8,921
Loss on disposal of assets	-	15,707	32,843
Honoraria	8,000	1,908	3,082
	$ 8,316,812	$ 9,068,632	$ 7,936,037

PAMI - Corporate Services
Box 1150, 2215 8 Avenue
Humboldt, SK S0K 2A0
Phone (306) 682-2555
Toll free 1800-567-PAMI (7264)
Fax (306) 682-5080
Email pami@sasktel.net

PAMI - Saskatchewan
Box 1150, 2215 8 Avenue
Humboldt, SK S0K 2A0
Phone (306) 682-5033
Fax (306) 682-5080
Email humboldt@pami.ca

PAMI - Manitoba
Box 1060, 390 River Road
Portage la Prairie, MB R1N 3C5
Phone (204) 239-5445
Fax (204) 239-7124
Email portage@pami.ca

WBDC - Main Office
Box 1150, 2215 8 Avenue
Humboldt, SK S0K 2A0
Phone (306) 682-3139
Fax (306) 682-5080
Email wbdc@pami.ca

WBDC - Research Farm
Box 700
Lanigan, SK S0K 2M0
Phone (306) 365-3386
Fax (306) 365-3374

www.pami.ca
www.wbdc.sk.ca
www.westest.ca